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HELENA, MONTANA

FINANCIAL AND COMPLIANCE AUDIT REPORT

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

(Except Subgrant No. 9244, Ending December 31, 1979)

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FINANCIAL AND COMPLIANCE AUDIT REPORT

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

(Except Subgrant No. 9244, Ending December 31, 1979)

AUDIT ORGANIZATION

McGLADREY HENDRICKSON & CO.

BILLINGS, MONTANA

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Prime Sponsor's Response to Findings and Recommendations

McGladrey Hendrickson & Co.
CERTIFIED PUBLIC ACCOUNTANTS

To the Legislative Audit Committee
Montana State Legislature
Helena, Montana

SUMMARY

We have examined the Schedules listed in the foregoing table of contents which summarize reported financial results and cash position of subgrants awarded by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council to the State of Montana, Department of Community Affairs, Human Resources Division, Helena, Montana, as follows:

Grant Number	Prime Sponsor Subgrant Number	CETA Title	Contract Period	Audit Period
30-9-210-38 and 30-9-210-05	9230	IV YCCIP	10/01/78 - 09/30/79	10/01/78 - 09/30/79
30-9-210-48 and 30-9-210-05	9232	IV YETP	10/01/78 - 09/30/79	10/01/78 - 09/30/79
30-9-210-46	9244	IV GYETP	10/01/78 - 12/31/79	10/01/78 - 12/31/79
30-9-210-38 and 30-9-210-05	9246	IV SYEP	06/01/79 - 09/30/79	06/01/79 - 09-30-79

The audit disclosed:

- A lack of supervision and direction of local Councils by the Human Resources Divison.
- Councils did not institute required self-evaluation procedures.
- Councils did not perform required eligibility review.
- Councils maintained excess cash balances.
- A Council did not maintain required counseling records.
- YCCIP participants worked at unauthorized worksites.
- Documentation necessary for administrative control and for support of expenditures could not be located.

- Councils did not maintain adequate accounting records.
- Councils were reimbursed for unallowable expenditures.
- A Council spent more CETA funds than authorized by contract budget.
- A Council erroneously computed and classified expenditures.
- Segregation of duties in Councils' systems for cash receipts, cash disbursements, and payroll was inadequate.
- Journal entries were made without supervisory review.
- Checks were improperly voided.

Exhibits I through III list $59,841 of questionable expenditures disclosed by the audit. The determination as to whether the costs will be allowable or unallowable under the subgrants will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council. Exhibits I through III were not prepared for purposes of statistical projection.

SCOPE OF AUDIT

This report covers our examination of the financial results of program operations of the Subgrantee for the subgrants and the periods referred to in the preceding Summary.

Our examination was made in accordance with instructions contained in the CETA Financial and Compliance Audit Guide and provisions of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions", promulgated by the Comptroller General, which pertain to financial and compliance audits.

Our examination included such tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned Schedules are required to be prepared in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) in conformity with the CETA Regulations; therefore, they are not intended to present either the financial results of operations or financial position in conformity with generally accepted accounting principles.

Statistical sampling is the preferred method of selecting a sample. Accordingly, in any area where the volume of transactions and record locations would permit, we have used statistical sampling for purposes of determining the audit sample size, selecting the sample items and evaluating the results for the periods examined. Our tests were designed on an attribute sampling basis, based on an expected rate of occurrence of 3% and a confidence level of 90%.

BACKGROUND

Our audit consisted of an examination of the financial and program records related to CETA programs operated by the Subgrantee.

The objectives of the audit were to determine whether the financial operations were properly conducted and documented, whether the Schedules were fairly presented and whether the Subgrantee complied with applicable laws and regulations. Our examination did not include a review of economy and efficiency or a review to determine whether desired results or benefits were achieved.

The audit was made by arrangement with the Prime Sponsor, State of Montana, Department of Labor and Industry, Governor's Employment and Training Council, to provide audits required by the United States Department of Labor and to provide the Prime Sponsor with information about the Subgrantee. The audit covered the period October 1, 1978 to September 30, 1979 for all subgrants ended during that period. The audit period was extended to December 31, 1979 for Subgrant No. 9244 to include the entire period for the subgrant.

The Subgrantee examined in this audit was the State of Montana, Department of Community Affairs, Human Resources Division. The audit covered all subgrants between the Prime Sponsor and this subgrantee operated during the applicable periods.

We reviewed the findings and recommendations of the prior audit of the Subgrantee for subgrants ending during the period October 1, 1977 to September 30, 1978. We found all recommendations had been fully implemented, partially implemented or not implemented due to disagreement with the finding. We specifically reviewed those items either partially or not implemented and to the extent they were still applicable, included the findings in our recommendations.

OPINION

Exhibits I through III list $59,841 of questioned costs disclosed by our audit sampling of the Subgrantee's subgrant records for the periods referred to in the preceding Summary. The determination as to whether such costs will be allowable or unallowable under the subgrant agreements will be made by the State of Montana, Department of Labor and Industry, Governor's Employment and Training Council.

In our opinion, subject to any effects of the ultimate resolution of questioned costs, the Schedules listed in the foregoing table of contents present fairly, for the dates and periods indicated on the Schedules, the financial results of operations and CETA cash position of the subgrants awarded to the State of Montana, Department of Community Affairs, Human Resources Division in accordance with the Standards for Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with the CETA regulations; and Exhibits I through III present fairly the costs questioned as a result of our audit.

FINDINGS AND RECOMMENDATIONS

Human Resources Division

There is a lack of consistency among various procedures used by the Councils. Most significant are those used in filing Closeout Final Expenditures Reports and those used to determine annualized income for participant eligibility. A lack of supervision and direction from Human Resources Division appears to be the cause of these inconsistencies.

Recommendation

(1) Human Resources Division should specify procedures for filing closeout reports as of the end of the subgrant period, with proper inclusion of accrued expenditures.

(2) Human Resources Division should direct the Councils to apply CETA regulations to properly determine annualized family income for program applicants.

Self-Evaluation

None of the Councils were performing self-evaluation of non-financial Youth Program activities, as required by CETA regulations.

Recommendation

The Councils should develop and implement required self-evaluation procedures.

Eligibility Reviews

Districts VI and VII HRDC's, RMDC, and Butte-Silver Bow APC did not conduct required eligibility reviews. This leads to increased risk of enrolling ineligible applicants.

Recommendation

Each youth application and intake form should be completely reviewed by someone other than the intake officer.

Excess Cash

Districts VI, VII, and XI HRDC's and Butte-Silver Bow APC carried excess cash balances during the year. This indicates that cash was requested too long in advance of expected disbursement.

Recommendation

(1) The Councils should more closely analyze expected cash needs and request funds only as needed.

(2) Human Resources Division should review requisitions for funds to determine that amounts requested are not excessive.

Counseling Records

District XI HRDC did not maintain records of counseling as required by contract. These records are necessary to determine participant needs and progress.

Recommendation

Significant matters discussed during participant counseling sessions should be recorded.

YCCIP Worksites

Butte-Silver Bow APC paid wages to YCCIP participants who were working at unauthorized worksites. CETA regulations require that YCCIP projects be approved in advance and that modifications be authorized.

Recommendation

The Council should submit the necessary project modification documents before making any significant project change.

Adequate Documentation

1. At all locations visited some documents necessary for proper administrative control could not be located. These documents include staff and participant applications, personnel actions, W-4's and leave records, participant time and attendance records, intake and termination forms, workstation agreements, vendor invoices, and cancelled checks.

   Recommendation

   (1) Councils should develop procedures to insure that required forms are properly and consistently completed.

   (2) Councils should develop record retention and filing systems that facilitate location of necessary documents.

2. At Districts VI and XI HRDC's, RMDC, and Butte-Silver Bow APC, some time and attendance records were not signed by the participant. These signatures are necessary to adequately document that participants actually worked the number of hours reported.

   Recommendation

   Require participants to sign time and attendance reports before being paid.

Accounting Records

1. At District VI HRDC, the accounting records were not kept on a timely basis, nor was information available to support accrued expenditures. In addition, information submitted on the Closeout Final Expenditure Report did not agree to the Council's books. These conditions represent a deficiency in overall internal accounting and administrative control.

   Recommendation

   (1) The Council should develop comprehensive written accounting procedures which cover posting transactions to the books of account, balancing the accounting records at least monthly, and proper development of accruals.

   (2) Closeout information should agree to the accounting records.

2. District XI HRDC failed to keep or balance its books on a timely basis, and did not reconcile the bank accounts for a number of months. In addition, the information submitted on the Closeout Final Expenditure Report did not agree to the Council's books. These conditions represent a deficiency in overall internal accounting and administrative control.

   Recommendation

   (1) The Council should develop comprehensive written accounting procedures for posting transactions to the books of account, balancing the accounting records at least monthly, and reconciling the cash amounts.

   (2) Supervisors should review the accounting records periodically to determine that the written procedures are being followed.

   (3) Closeout information should agree to the accounting records.

Unallowable Expenditures

1. District XI HRDC claimed costs and was reimbursed for bank overdraft charges, for expenditures which were later reimbursed, for excess wages paid to a participant, and for indirect administrative costs for which no indirect cost plan had been approved. Regulations prohibit reimbursement from CETA funds for these types of items.

   Recommendation

   (1) The Council's accountant should be familiar with, and follow, CETA regulations and Federal Management guidelines in accounting for CETA funds.

   (2) The Council's Director should periodically review the accounting records to determine that applicable standards are met.

2. Districts VI and XI HRDC's claimed costs and were reimbursed for capital expenditures not authorized by contract and not approved by the Prime Sponsor.

   Recommendation

   Councils should request budget provisions and Prime Sponsor approval for capital expenditures.

3. Districts VI and VII HRDC's and Butte-Silver Bow APC reported expenditures in connection with fiscal year 1980 activity. Regulations require that expenditures be properly classified as to subgrant year.

   Recommendation

   Councils should more closely analyze year end transactions to properly determine which time period and subgrant should be charged.

Contract Analysis

As a result of failure to analyze a contract modification which called for a budget reduction, Butte-Silver Bow APC expended more CETA funds than allowed by contract budget.

Recommendation

Council fiscal officers should analyze contracts and modifications, and review spending to insure that all provisions, including budget items, are complied with.

Transaction Analysis

At Butte-Silver Bow APC there were errors in computation and classification of expenditures. This reflects a lack of sufficient care in posting transactions to the books of account.

Recommendation

The Council's accountant should more closely analyze transactions to determine proper classification as to cost category.

REVIEW OF INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

As part of our examination, we made a study of the systems of internal accounting and administrative control to the extent we considered necessary to evaluate the systems as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining

accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and administrative control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with procedures may deteriorate.

Our study and evaluation of the systems of internal accounting and administrative control for the periods referred to in the preceding Summary would not necessarily disclose all weaknesses in the system; however, in our opinion, the internal accounting and administrative control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which have been determined to be adequate for accountability of assets and compliance with regulations except as follows:

Segregation of Duties

1. At Districts VI, VII, and XI HRDC'S, RMDC, and Butte-Silver Bow APC, persons who prepare checks are also involved in record keeping for cash. At each Council except RMDC, signed checks are also returned to the preparer to distribute. For proper control over disbursements, custody of cash should be separate from access to the accounting records.

   Recommendation

   (1) The functions of check preperation and accounting for cash should be performed by different employees.

   (2) Checks should not be returned to the preparer after signature.

2. At Districts VI, VII, and XI HRDC and Butte-Silver Bow APC, personnel who receive cash may also prepare deposits, deposit cash to the bank, and reconcile the bank accounts. This is an improper segregation of duties.

   Recommendation

   To insure proper internal control over cash receipts, each of the above procedures should be performed by a different employee.

3. Segregation of duties for payroll is inadequate at District VII HRDC and at Butte-Silver Bow APC, as supervisors both collect and approve participants' time records and distribute paychecks. In addition, no independent review of payroll records is performed.

Recommendation

(1) Paychecks should be distributed directly to participants at random intervals.

(2) Payroll records should be subject to independent review for accuracy and completeness.

Journal Entry Review

At Districts VI, VII and XI HRDC's, accounting personnel record general journal entries without supervisory review. Supervisory review reduces the risk of errors and misappropriation of funds.

Recommendation

General journal entries should be reviewed and approved by accounting supervisors before posting to the books of account.

Voided Checks

Checks were improperly voided at Districts VII and XI HRDC's.

Recommendation

To insure that voided checks cannot be negotiated, the signature spaces should be removed.

EXIT CONFERENCE

An exit conference was held at Helena, Montana on August 5, 1980. Those in attendance were:

Subgrantee:
John Allen, Administrator
Marcia Ala, Fiscal Bureau Chief
Bryant Hatch, Resource Mobilization Bureau
Cindy Olsen, Employment and Training Manager
Marianne Vestre, Y.C.C.I.P. Program Manager
Linda Nelson, Y.E.T.P./S.Y.E.P. Program Manager

Prime Sponsor:
Mark Bowlds, Youth Bureau
Florine Smith, Fiscal Bureau Chief
Gary McDanel, Fiscal Manager

Auditors:
Richard Burris, Manager
William Erickson, Staff
Norm Kolpin, Staff

Audit findings and recommendations were discussed. General agreement was reached as to the audit findings.

This report is intended for use in connection with the administration of CETA grants to which it refers and should not be used for any other purposes.

McGladrey Hendrickson & Co.

Billings, Montana

April 17, 1980

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

SUMMARY STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

(Except Subgrant 9244 Ending December 31, 1979)

	TITLE IV	
COST CATEGORY	Budget	Accrued Expenditures
Administration	$ 565,451	$ 480,949
Wages	2,511,690	2,424,623
Fringe benefits	198,886	164,893
Training	15,277	11,938
Services	690,854	578,058
Totals	$ 3,982,158	$ 3,660,461

See Notes to Schedules and Exhibits.

Schedule II

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

SUMMARY STATEMENT OF ACCRUED EXPENDITURES BY PROGRAM ACTIVITY

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

(Except Subgrant 9244 Ending December 31, 1979)

	TITLE IV	
PROGRAM ACTIVITY	Budget	Accrued Expenditures
Work experience	$ 3,982,158	$ 3,660,461

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9230, TITLE IV YCCIP

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	518,920
DECREASES-	
Gross disbursements	490,729
CASH ON HAND, September 30, 1979	$ 28,191

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9230, TITLE IV YCCIP

WORK EXPERIENCE

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 73,490	$ 55,450
Wages	386,869	337,006
Fringe benefits	35,016	23,840
Services	110,481	76,263
Totals	$ 605,856	$ 492,559

See Notes to Schedules and Exhibits.

Exhibit I

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9230, TITLE IV YCCIP

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 455	I-A
Wages	8,207	I-A
Fringe benefits	509	I-A
Services	40	I-A
Total	$ 9,211	

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9230, TITLE IV YCCIP

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

1. Wages of $7,695 and related fringe benefits of $472 have been questioned under a contract with the Butte-Silver Bow APC. These amounts were reimbursed for participants who were working at unauthorized worksites. Project modifications were not approved to include certain worksites.

   The questionable amounts were computed as the total wages and fringe benefits paid for YCCIP participants while working at the unauthorized worksites.

2. Wages of $512 and fringe benefits of $37 were questioned because participant hours worked were not adequately documented. In most cases, time and attendance records were not signed by participants; in others, these records could not be located. The questionable amounts are the total of wages and fringe benefits not sufficiently documented, by contractor as follows:

Contractor	Wages	Fringe Benefits
RMDC	$ 157	$ 10
District XI HRDC	264	27
District VI HRDC	91	-
	$ 512	$ 37

3. Services of $40 under a contract with District VI HRDC are questioned. The Contractor had accrued this amount as an estimated expense to be paid after 9/30/79, but it was never spent and required support for the accrual was not located.

4. Administrative costs of $455 related to the above costs have been questioned.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9232, TITLE IV YETP

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	1,234,853
DECREASES-	
Gross disbursements	1,158,238
CASH ON HAND, September 30, 1979	$ 76,615

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9232, TITLE IV YETP

WORK EXPERIENCE

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 200,582	$ 166,866
Wages	772,657	749,313
Fringe benefits	54,235	49,920
Services	209,259	194,869
Totals	$ 1,236,733	$ 1,160,968

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9232, TITLE IV YETP

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 830	II-A
Wages	5,645	II-A
Fringe benefits	684	II-A
Services	204	II-A
Total	$ 7,363	

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9232, TITLE IV YETP

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

1. Administration of $425 was questioned under a contract with District XI HRDC as the Contractor claimed costs of this amount for bank overdraft charges. Under CETA regulations, such costs should be paid by the agency, not by CETA funds.

2. Administration of $53, fringe benefits of $290, and services of $74 were questioned under the same contract with Butte-Silver Bow APC. The Contractor's computation of FICA for the fourth quarter of 1978 was in error, so excess FICA costs were incurred and reported. Such costs must be properly computed to be allowable under CETA regulations.

3. Administration of $12 and services of $130 have been questioned because the Contractor, District XI HRDC, failed to record an expense reimbursement. Funds from the YETP program were used to pay SYEP expenses, and were recorded by YETP as costs. SYEP later repaid the YETP program, but the reimbursement was not recorded by YETP as required.

4. Wages of $3,887 and related fringe benefits of $393 were questioned because time and attendance records were not signed by participants as required by CETA regulations. This results in inadequate documentation of participant hours worked. The amounts are detailed by contractor as follows:

Contractor	Wages	Fringe Benefits
RMDC	$ 229	$ 14
District XI HRDC	3,603	373
Butte-Silver Bow APC	55	6
	$ 3,887	$ 393

5. Wages of $1,746 have been questioned because the Contractor, Butte-Silver Bow APC, claimed costs in excess of the total contract budget. As the Contractor's wage expenditures of $71,776 were in excess of budget by $3,311, excess costs for the contract were attributable to wages.

   It should be noted that wages of $1,682 and related fringe benefits of $175 were not reported on the Council's closeout final, even though they were valid expenditures and were properly chargable to this subgrant. Had these expenditures been reported, spending for the contract would have exceeded the budget by $3,603.

Exhibit II-A

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9232, TITLE IV YETP

DETAILED SCHEDULE OF QUESTIONED COSTS (CONTINUED)

FROM OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

6. Wages of $12 and fringe benefits of $1 have been questioned as the Contractor, District XI HRDC, paid a participant for 4 hours she did not work because her employer was being picketed. While a participant is not required to cross a picket line, CETA regulations do not provide for payment of wages to a participant who cannot work due to a strike.

7. Administrative costs of $340 related to the above costs have been questioned.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9244, TITLE IV GYETP

STATUS OF FEDERAL CASH

FROM OCTOBER 1, 1978 TO DECEMBER 31, 1979

CASH ON HAND, October 1, 1978	$ -
INCREASES-	
Federal cash received	51,413
DECREASES-	
Gross disbursements	48,699
CASH ON HAND, December 31, 1979	$ 2,714

See Notes to Schedules and Exhibits.

Schedule B-3

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9244, TITLE IV GYETP

WORK EXPERIENCE

STATEMENT OF ACCRUED EXPENDITURES

FROM OCTOBER 1, 1978 TO DECEMBER 31, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 12,146	$ 11,207
Wages	4,835	4,597
Fringe benefits	435	506
Training	1,302	882
Services	38,632	35,459
Totals	$ 57,350	$ 52,651

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

STATUS OF FEDERAL CASH

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

CASH ON HAND, June 1, 1979	$ -
INCREASES-	
Federal cash received	1,966,002
DECREASES-	
Gross disbursements	1,897,835
CASH ON HAND, September 30, 1979	$ 68,167

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

WORK EXPERIENCE

STATEMENT OF ACCRUED EXPENDITURES

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Subgrant Budget	Total Accrued Expenditures
Administration	$ 279,233	$ 247,426
Wages	1,347,329	1,333,707
Fringe benefits	109,200	90,627
Training	13,975	11,056
Services	332,482	271,467
Totals	$ 2,082,219	$ 1,954,283

See Notes to Schedules and Exhibits.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

SUMMARY SCHEDULE OF QUESTIONED COSTS

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

COST CATEGORY	Total Amount Questioned	Supporting Exhibit
Administration	$ 34,553	III-A
Wages	6,574	III-A
Fringe benefits	664	III-A
Services	1,476	III-A
Total	$ 43,267	

See Notes to Schedules and Exhibits.

Exhibit III-A

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

DETAILED SCHEDULE OF QUESTIONED COSTS

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

1. $29,431 in administrative costs reported by District XI HRDC are questioned as they were claimed as indirect administrative costs, but the Contractor did not have approval of an indirect cost rate, as required.

2. Administration of $1,798 has been questioned because contractors made capital expendiures not included in contract budgets. In addition, the expenditures were not approved by the Human Resources Division or the Governor's Employment and Training Council, as required. The questioned amount includes the following items:

Contractor	Item	Amount
District VI HRDC	Office remodeling	$ 1,126
District XI HRDC	Typewriter	672
		$ 1,798

3. Administration of $599, for expenditures relating to fiscal year 1980, has been questioned, as follows:

Contractor	Item	Date	Amount
District VI HRDC	Stamps	10/79	$ 65
District VII, HRDC	Supplies	10/79	31
District VII, HRDC	Supplies	10/79	456
Butte-Silver Bow APC	Telephone	10/79	47
			$ 599

The stamps and supplies above were received either shortly before or some time after September 30, 1979, so should not be reported as fiscal year 1979 costs. The questioned amount for telephone charges is entirely for long distance calls made in October 1979, after the end of the contract period. CETA regulations stipulate that expenditures be properly classified as to contract period.

STATE OF MONTANA

DEPARTMENT OF COMMUNITY AFFAIRS

HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

DETAILED SCHEDULE OF QUESTIONED COSTS (CONTINUED)

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

4. Administrative costs of $196 and services of $95 have been questioned as the Contractor, Butte-Silver Bow APC, could not show they were CETA related.

The questioned amounts are:

	Date	Amount
Administrative-	8/10/79	$ 58
	8/14/79	44
	9/12/79	53
	9/19/79	41
		$ 196
Services-	9/20/79	$ 95

Regulations require that expenditures claimed as CETA costs be adequately documented as pertaining to CETA programs. The Contractor could not provide this necessary documentation.

5. Administrative costs of $195 and services of $1,000 were questioned because contractors could not locate required support for the expenditures. The following items are included:

		Amount
Administration-		
District VI HRDC	Estimated Maintenance expenses	$ 100
Butte-Silver Bow APC	Telephone	55
Butte-Silver Bow APC	Travel	40
		$ 195
Services-		
Butte-Silver Bow APC	Parade Float	$ 1,000

STATE OF MONTANA

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HUMAN RESOURCES DIVISION

CETA SUBGRANT NO. 9246, TITLE IV SYEP

DETAILED SCHEDULE OF QUESTIONED COSTS (CONTINUED)

FROM JUNE 1, 1979 TO SEPTEMBER 30, 1979

6. Administration of $113 and services of $381 have been questioned because District XI HRDC reported costs in these amounts that were not recorded on its books. At year end, a journal entry was made to reconcile the cash account. This journal entry reduced administration and services by the above amounts, yet these reductions were not properly reflected on the closeout.

7. Administration of $69 has been questioned because Butte-Silver Bow APC erroneously reported an inter-program loan as an expenditure. The SYEP program loaned this amount to the Migrant program for payment of Migrant expenses, so the amount should have been recorded as a receivable from the Migrant program.

8. Wages of $6,574 and fringe benefits of $664 were questioned because time and attendance records were not signed by participants as required by CETA regulations. This results in inadequate documentation of participant hours worked. The amounts are detailed by contractor as follows:

Contractor	Wages	Fringe Benefits
RMDC	$ 446	$ 27
District XI HRDC	6,128	637
	$ 6,574	$ 664

9. Administrative costs of $2,152 related to the above costs have been questioned.

NOTES TO SCHEDULES AND EXHIBITS

1. SIGNIFICANT ACCOUNTING POLICIES AND PROGRAM INCOME:

The Schedules have been prepared in accordance with instructions contained in Standards For Grantee Financial Management Systems (Federal Management Circular 74-7, Attachment G) and in conformity with CETA Regulations. In accordance with these instructions, federal funds received are recognized when cash is received. Expenditures are recognized when incurred. This basis of accounting is not in accordance with generally accepted accounting principles.

No program income was received by any of the subgrant programs during the period covered by these Schedules.

2. ADMINISTRATIVE COST POOL:

On April 1, 1979, the Prime Sponsor entered into an Administrative Cost Pool grant with the U.S. Department of Labor. Administrative costs subsequently incurred by subgrantees were funded from the Administrative Cost Pool. The Prime Sponsor did not require subgrantees to separately report administrative costs funded from the Administrative Cost Pool. Administrative costs funded from the Administrative Cost Pool for Title IV were $337,104.

APPENDIX

DEPARTMENT OF LABOR AND INDUSTRY
EMPLOYMENT AND TRAINING DIVISION

THOMAS L. JUDGE, GOVERNOR
STATE CAPITOL
STATE OF MONTANA
(406) 449-5600
HELENA, MONTANA 59601

September 22, 1980

Matt Himsl, Chairperson
Legislative Audit Committee
Montana State Legislature
Office of Legislative Auditor
State Capitol
Helena, MT 59601

Dear Mr. Himsl:

Enclosed is the draft Audit Report which we have accepted for the Human Resources Division, Department of Community Affairs, for CETA Fiscal Year 1979 Subgrants:

9230 - Title IV, Youth Community Conservation Improvement Projects (YCCIP)
9232 - Title IV, Youth Employment and Training Programs (YETP)
9244 - Title IV, Governor's Youth Employment and Training Programs (GYETP)
9246 - Title IV, Summer Youth Employment Programs (SYEP)

This audit was conducted by McGladrey, Hendrickson & Co., CPA's, under contract with the Employment and Training Division, Department of Labor and Industry. The comments and recommendations contained in this report represent the views of the auditing firm.

Upon your review of this audit report, we will begin a 120 day resolution process with the subgrantee as follows:

1. A copy of the final audit report will be sent to the subgrantee for a thirty (30) day comment period. All findings and recommendations are to be addressed by the subgrantee in their response.

2. The Employment and Training Division will issue a written initial determination which will include a notice giving the subgrantee the opportunity for informal resolution.

3. The subgrantee must request an opportunity for informal resolution within ten (10) days in writing. Following the meeting of all appropriate parties, the Employment and Training Division will notify the subgrantee in writing of the nature of the resolution, if all matters have been informally resolved.

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4. The Employment and Training Division will issue a final determination no later than 120 days after the audit report has become final. The final determination will include those matters which were not informally resolved, corrective actions which will be necessary, and inform the subgrantee of the opportunity to request a hearing. Within thirty (30) days of the receipt of the final determination, the subgrantee must submit in writing a request for hearing to the Employment and Training Division.

The Employment and Training Division will attempt to recover all funds which were not expended in accordance with CETA law and regulations. We will also follow-up on any corrective actions necessary for the subgrantee.

Sincerely,

T. GARY CURTIS
Administrator

Enclosure

FB1/A